

SECRET

25X1

18 March 1952

25X1

OCI No. 3895
Copy No.

256

CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

DIA, DOS and JCS review(s) completed.

USAF and PACOM review(s) completed.

SECRET

25X1

SECRET

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

* * *

SOVIET UNION

25X1 1. Possible Soviet overflights detected in Norway and Iceland: [redacted] sighted an unidentified four-engine aircraft believed to be a B-29 type over North Norway in the vicinity of Bodoe below Narvik. The radar operator at Keflavik airport, Iceland, has also reported an unidentified object over western Iceland flying at an estimated speed of 250 knots and at an altitude of 8000 feet. These are tentatively considered as possible Soviet reconnaissance efforts in the arctic area.

25X1

Comment: Soviet overflights in the arctic region are not new, although none has been reported in recent months. Most of those in North Norway have occurred farther north in the Kirkenes-Hammerfest area. There has been evidence of Soviet air reconnaissance in the desolate Greenland area; but the Russian airmen have shunned Iceland, presumably leaving reconnaissance to the Soviet fishing trawlers.

EASTERN EUROPE

2. Paramilitary training function of Bulgarian youth group re-emphasized: The fourth plenary session of the Central Committee of the Dimitrov Union of People's Youth decided that, by the end of 1952, "each member of the Union should have become either a holder of the People's Rifle Shot Badge or a member of the Antiaircraft and Chemical Defense Section," in order to create "a large reserve of well-trained youths necessary for the building of socialism and for the defense of our country."

25X1

Comment: The Dimitrov Union of People's Youth is the primary Communist youth organization in Bulgaria. In a

SECRET

SECRET

keynote address delivered at the opening of the fourth plenary session on 11 February, it was stated that a continuing purpose of the Union must be to "educate the youth in a patriotic spirit, in a spirit of irreconcilable hatred for the instigators of a new war -- the American and British imperialists and their Balkan tools, the monsters of Belgrade, Ankara, and Athens."

Closely associated with the Dimitrov Union of People's Youth is another youth group known as the Voluntary Organization for Defense Cooperation, which is known to offer Bulgarian youth training in such advanced "sports" as marksman-ship, glider piloting, and parachute jumping.

3. Efforts made to increase supply of skilled labor in Hungary: Determined efforts to alleviate the acute shortage of skilled labor have been noted within the past few days in Hungary. A decree of 13 March provided for compulsory professional practice by university, high school and technical school graduates. The Minister exercising supervision over each educational establishment is to decide each graduate's assignment in a particular sphere of the national economy. The "period of compulsory practice" is two years for university and high school graduates and 18 months for graduates of technical schools.

A recent editorial in the Budapest Communist daily Szabad Nep severely criticized the program of apprentice training. Migration absenteeism, and lack of discipline were cited as serious failings on the part of the apprentices, whereas lack of equipment, uncooperative managers and lack of organization were blamed on the supervisors of the program.

25X1
25X1

Comment: Hungary's rapid industrialization under the Five Year Plan has put a serious drain on available manpower, particularly skilled labor. Numerous other measures to date have failed to solve the problem.

4. Military developments observed in Hungary: On a recent trip from Budapest to Belgrade, the US Military Attaché in Hungary observed three Soviet-type 132 mm M-13 rocket launchers on the highway in the vicinity of Orkeny, confirming a previous report based on observation of trucks with tarpaulin covering suspected launchers.

SECRET

SECRET

He also observed several new barracks. Some apparently unoccupied, in the vicinity of Szeged.

25X1

Comment: Confirmation of the use of the Soviet-type rocket launchers by Hungarian troops is further evidence of the continuing Sovietization of the Hungarian Army.

Extensive barracks construction has paralleled expansion of the Hungarian Army, which has more than doubled in strength during the past year. The existence of new barracks, unoccupied when most troops are still in winter garrisons prior to moving out to summer field training areas, suggests that further expansion of the army may be contemplated.

SECRET

SECRET

FAR EAST

5. Japanese Communists employ aggressive tactics in Tokyo by-election: A Tokyo by-election on 12 March to fill two vacant seats in the National Diet was characterized by several disorderly Communist demonstrations and attacks upon the police. These incidents, according to CINCFE, indicate that even in legitimate political activities the Japanese Communist Party is following the pattern of aggressive and violent action called for in recent JCP policy directives.

25X1

Comment: Although Communist attacks upon the police have been on the increase since the first of the year, it is noted that several Communist anniversaries in early March passed without incident. This suggests that the JCP is avoiding direct large-scale clashes with the police, and is concentrating upon isolated acts of violence and intimidation in order to weaken police morale and resistance.

6. Ryukyuans will lose favored position in Japanese sugar trade: A member of the Ryukyus Board of Trade delegation in Tokyo reported, on his arrival on Okinawa on 23 February, that despite negotiations with the Japanese Government the Ryukyuans will lose their favored position on the Japanese sugar market. The delegate expects the price of sugar in Japan will fall approximately 30 percent.

CINCFE comments that the loss of this favored position will seriously handicap efforts now being expended to revive the Ryukyuan sugar industry to its prewar position in the insular economy.

25X1

Comment: Prior to World War II Japan encouraged the Ryukyuans to make the sale of sugar to Japan their principal cash crop, despite the food deficit nature of the economy.

25X6

7. Japanese-Soviet telecommunications dispute is settled: The Soviet Government in an unexpected move on 11 March agreed to settle for 10,000 gold francs a dispute of four years

SECRET

SECRET

duration with respect to outstanding debts for telecommunications services between Japan and the Soviet Union. The USSR had previously contended that the charges should be paid by Japan as an occupation cost.

25X1

25X1

25X1

9. Rhee believes he can influence course of armistice negotiations in Korea: President Rhee, in an interview with American Ambassador Muccio, indicated that he derived "considerable satisfaction" from an Associated Press story stating that several leading UN delegates are worried at Rhee's inflexible attitude against the cease-fire negotiations and its adverse effects on the talks. This story, according to Muccio, has apparently confirmed the president's belief that he can influence the armistice, and will probably encourage him to remain adamant.

Turning to internal affairs, Rhee said that the situation was well under control and that there would be no trouble. Muccio disagreed, however, and pointed out that the present "political rumpus" worked to spur on the tremendous inflationary upsurge, while both externally and internally the political situation in the ROK has caused a great deal of speculation as to just what kind of government exists in South Korea. The interview ended as Rhee changed the subject and began to reminisce.

SECRET

SECRET

10. Chinese harass British business interests: British interests in Shanghai face a crisis following the arrest last week of a leading British firm's principal representative. His detention reportedly was for failure to pay employees of an affiliate whose business has been paralyzed by the anti-corruption campaign.

Officials of the British American Tobacco Company are now expecting the arrest of their Shanghai manager for failure to meet extortionate demands. The company has already written off its 25 million dollar China investment and has declared that it will not remit additional funds regardless of reprisals which may be taken against its 20 executives remaining in China.

At a meeting in Hong Kong, officials of British firms agreed to recommend "to London" not to yield to extortionate Chinese demands regardless of consequences to British executives caught in China.

25X1

Comment: There is a general conviction among the British that their China investments must be abandoned. However, they are still anxious to maintain trade relations with the Communists, subject to export restrictions on the more strategic commodities. China is Hong Kong's principal customer, and British-flag ships outnumber those of any other foreign registry in the China trade.

11. 280 jets believed based on Yalu River fields: Aerial photographs of 9 March show 93 MIG's on the Tatungkou airfield and 104 MIG's at Antung.

25X1

The Far East Air Force comments that this invalidation of observation renders suspect earlier reports based on sightings that no aircraft were at these two fields. FEAF's current estimate of aircraft based in the lower Yalu River area is 100 MIG-15's at each of these fields and 80 more at nearby Takushan.

Comment: The apparent absence of aircraft at Antung and Tatungkou, as reported on two occasions in late February by visual reconnaissance, has led to speculation about the use of other fields deeper in Manchuria as combat bases. The present unreliability of visual observations may be related to the recent appearance over Korea of camouflaged MIG-15's.

SECRET

SECRET

12. Situation in Bangkok still unsettled: After reviewing the various reports of impending political unrest in Thailand, the American Embassy in Bangkok reports that the situation is "more than ordinarily unsteady and murky." It is "inclined" to believe, however, that Premier Phibun is threatening to resign at a strategic moment in order to mobilize widespread support for himself by playing upon the fears that he is all that stands between a Sarit-Phao conflict followed by intensified corruption and terrorism. [redacted]

25X1

13. Nationalist plan to invade Yunnan from Burma reported: On Myint, the Burmese news reporter who has been writing a series of stories on the Chinese Nationalists in northeastern Burma, stated in his 15 March column that the Nationalists intend to commence a new offensive against Yunnan in mid-April. The American Embassy in Rangoon comments that this story, obtained from a Nationalist officer, may be designed to involve more deeply any power which may be aiding the Nationalists. The Embassy also states that there is no suggestion that the story is a product of Communist propaganda, although it will undoubtedly be used as such. [redacted]

25X1

Comment: There have been several predictions that the Nationalists would make another attempt to invade Yunnan since their unsuccessful attempt of last summer, but there has been no reliable evidence that they are either willing or able to undertake such an operation in the near future.

25X1

SECRET

SECRET

25X1

SOUTH ASIA

16. New Soviet-Afghan trade agreement is signed: The American Embassy in Kabul has been reliably informed that the Afghan Government's automobile, petrol, and sugar monopoly has recently signed a new one-year contract in line with the Soviet-Afghan trade agreement of July 1950 for the purchase with dollars of three million gallons of gasoline, 150 Pobeda cars, and 150 trucks of unidentified make. Prices reportedly are 65 dollars per metric ton for gasoline delivered to the Afghan border, and 800 and 1,200 dollars respectively for cars and trucks delivered in Kabul. The Embassy comments that these prices are considerably cheaper than those obtainable elsewhere.

25X1

SECRET

SECRET

Comment: A previous barter contract for three million gallons of gasoline, which approximates total annual Afghan consumption of this commodity, was made at a time when Pakistan was delaying the transshipment of oil products delivered at Karachi and when the Afghan Government feared for the stability of its national economy. The contract was less than half fulfilled because of Afghan inability to store or transport gasoline delivered by the USSR, because Afghanistan had difficulty in shipping commodities of equal value to the Soviet Union, and because a satisfactory flow of oil was eventually obtained via Karachi.

Despite a report that the Russians have completed installation of oil storage facilities in northern Afghanistan, bringing total capacity there to 300,000 gallons, it seems unlikely that the new contract will be more successfully fulfilled than was the previous one.

NEAR EAST - AFRICA

17. Turkey refuses to attend Pakistani-sponsored Moslem conference: The Turkish Foreign Office has informed the Pakistani Charge in Ankara that the Turkish Government would not participate in a conference of Islamic states which is being sponsored by the Pakistani Government. The Turkish Foreign Minister reported that as a result of Turkey's non-acceptance, Afghanistan would also probably decline the invitation. He added that the Lebanese Government had characterized the Pakistani proposals as "Utopia." 25X1

Comment: Zafrullah, Pakistani Foreign Minister, discussed the idea of periodic consultations on questions of mutual interest during his recent tour of the Middle East.

Turkey's refusal to attend the Islamic conference underscores its determination not to engage in regional politics based on the Moslem religion. The Turkish attitude may seriously reduce the effectiveness of the conference.

SECRET

SECRET

WESTERN EUROPE

18. Crisis in West Berlin government worsens: Further complications have developed in the current crisis facing the coalition government of West Berlin. An announcement by the Free Democrats recommending the discontinuance of social insurance, which is favored by the Social Democrats, has been attacked by the latter as a "death blow to the coalition."

Local HICOG observers state that, in view of the heightened tensions, it is "problematical" whether the three coalition parties will be able to reach agreement on this and other points of difference.

25X1

Comment: This crisis, which originally arose over a squabble involving the local police, has spread in the past several weeks to a number of other issues. Social Democratic Mayor Reuter had originally believed, prior to the social insurance matter, that he could arrive at a settlement by the 20 March deadline set by the local legislature. If a new government is formed, it would probably leave out Reuter and the Social Democrats, but would nevertheless be a pro-Allied grouping.

19. French tend to discount present Russian threat to western Europe: The Assistant Director of Political Affairs in the French Foreign Ministry speculates that the recent Russian note on German unity may reflect a Soviet decision to abandon any immediate design of military aggression in western Europe. He believes that the tempo of Western rearmament may have temporarily discouraged the Russians, particularly since they feel that in any event time is on their side.

25X1

Comment: While the Foreign Office has no illusions on ultimate Soviet aims, speculation of this sort appeals to a majority of Frenchmen in view of the country's critical financial situation. Consequently, there is real danger that responsible French officials may agree with the Belgian Premier, who recently stated that "nobody believes western Europe is now in danger of Soviet military aggression."

25X1

SECRET

SECRET

25X1

21. Pro-Italian extremists threaten disorders in Trieste:
Police authorities in Trieste have warned that "the most serious threat to public order for the past three years" will occur on 20 March, the date set by pro-Italian elements for demonstrations marking the anniversary of the 1948 tripartite declaration advocating the return of the entire Free Territory to Italy.

There are indications that the neo-Fascist Italian Social Movement will try to whip up anti-Yugoslav feeling and provoke incidents serious enough "to focus the attention of the world on the Trieste problem."

25X1

Comment: These planned demonstrations are not likely to get out of hand. The Italian Government hopes unofficially that they will convince world opinion that blame for failure to settle the Trieste issue rests on the Western powers.

The activities of the local Italian Social Movement reflect the growing aggressiveness of this party in Italy.

22. Military procurement program will not fully utilize Italy's industrial capacity: Orders placed by the Italian Government for military materiel will use only a minor portion of the productive capacity of Italian industry, and other western European countries are not likely to place orders in significant amounts. The American program for military purchases in Italy has so far only a slight impact on the coun-

SECRET

SECRET

try's economy, and even when fully under way it will leave idle large segments of Italian industry. At present, Italy is reasonably assured of 60 million dollars worth of US military orders.

This situation, combined with the recession in the chemical, textile, shoe, and other consumer industries, the growing disparity between wages and prices, and the relatively large number of unemployed, is causing labor unrest and increasing criticism of the government's cautious economic policy. Influential elements of the Italian economy, led by the industrialists, feel that because Italy is accumulating large reserves and pursuing conservative economic policies, it is not getting a fair share of American aid. Part of its reserves, accumulated through EPU, represent flights of capital, and do not indicate any real improvement in Italy's position.

Some progress has been made in improving Italy's economic situation: agricultural production has kept pace with the growth of the population, and industrial production has increased significantly. Nevertheless, the basic economic problems -- imbalance between population and resources, under-utilization of the land, and obsolescent industrial and agricultural production facilities -- remain and can be solved only through ultimate western European economic integration.

25X1
25X1

23. Swiss take neutral stand toward Moscow Economic Conference: Foreign Minister Petitpierre has announced that the Swiss Government will "neither encourage nor discourage" businessmen wishing to participate in the Moscow Economic Conference. He also reported that the government had not received an invitation to participate in the conference nor been informed officially of the object or scope of the conference.

25X1

Comment: There is no available information as to whether any Swiss businessmen will take part in this conference. Their government will presumably encourage a few Swiss to attend as observers.

24. Death sentences against Spanish anarchists carried out: The American Consul in Barcelona has reported that five of the nine anarchists recently sentenced to death by a Spanish court-

SECRET

SECRET

martial were executed on 14 March. This information was later confirmed by the Madrid press, which stated that Franco had commuted the sentences of the other four to life. No mention was made of the political affiliation of the nine "gangsters."

25X1

Comment: This group belonged to an apolitical faction of the clandestine anarchist labor organization, Confederacion Nacional del Trabajo. The charges against them were of a criminal nature and included murder, but the holding of the trial in a military court and the severity of the penalties lend a strong political hue to the case.

This case is totally unrelated to another one involving 27 members of the Catalan Communist party, Partido Socialista Unificado de Catalunya, which was the subject of a Polish resolution in the UN. In the past such executions have frequently set off violent reactions, but the improvement during the past year in economic conditions in Barcelona makes popular disorder unlikely at this time.

25. British Labor Party still uncommitted on British participation in European army: British Labor Party headquarters have informed the US Embassy in London that the delegation meeting with representatives of the French Socialist Party in Paris on 22 March will be instructed simply to listen and report back. The Embassy believes that the pressure of other developments has prevented the Labor Party from formulating an official position on British participation in the European army.

25X1

25X1

Comment: A committee of the Parliamentary Labor Party voted last week against a resolution favoring British participation in the European army. The American Embassy does not consider this vote an adequate test of sentiment in the party as a whole, which not only still fears the prospect of a rearmed Germany without adequate guarantees against nationalism, but is also distracted by internal disputes on the size of the current British rearmament program

25X1

26. More Britons considering attendance at Moscow Economic Conference: The British Foreign Office has informed the American Embassy in London that, despite official discouragement, at least 27 Britons are now considering attending the Moscow Economic Conference. The list includes three Members of Parliament, two university professors, a group of Quakers, and two

SECRET

SECRET

members of the World Federalist group, including Lord John Boyd-Orr.

A separate invitation to British industrialists to visit Moscow has had no acceptances, but the Foreign Office states it has heard rumors that an "impressive" group of American businessmen intends to visit Moscow at the same time as the economic conference.

25X1

Comment: Although this report shows that more Britons are interested in attending the conference, it does not indicate that all these people plan actually to attend.

With regard to the trade conference in Moscow before the general economic meeting, invitations to businessmen have been issued through the International Chamber of Commerce. One of the promotion techniques has been to announce that prominent industrialists from other countries have already accepted.

25X1

LATIN AMERICA

28. Hungarian Chamber of Commerce trying to promote sales in Cuba: A communication, presumably of a circular type, has been addressed to the Cuban Ministry of Commerce by the Hungarian Chamber of Commerce enumerating the commodities and products offered for export by specified State trading organizations. The circular urges the dissemination of this information and

SECRET

SECRET

invites prospective customers to correspond with the State
trading organizations directly or, alternatively, through the
Hungarian Chamber of Commerce.

25X1

Comment: Early in 1951 Istvan Brody, representative of
the nationalized industries in Hungary, tried unsuccessfully
to sell Hungarian goods in the Cuban market. The only firm in
Cuba known to be handling Satellite goods is Jose Schachter in
Havana which sells Czech motor-bicycles reportedly obtained
from the Czech Trade Mission in New York. Cuban business firms
are expected to show little or no sympathy toward present
Hungarian overtures.

SECRET

18 Mar 52

25X1
TOP SECRET

18 March 1952

25X1
[redacted] CIA No. 49577
Copy No. 46

TOP SECRET SUPPLEMENT

TO THE CURRENT INTELLIGENCE DIGEST

25X1
[redacted]

Not for dissemination outside O/CI and O/NE.

Office of Current Intelligence
CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

25X1
TOP SECRET

TOP SECRET

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

* * *

FAR EAST

1. UN forces may sojourn in Japan after peace treaty becomes effective: The Japanese Government has presented the US Political Adviser in Tokyo with the draft of an agreement between Japan and the UN governments participating in the Korean war, which provides for the continued use of Japanese rest hotels and facilities by UN forces for the duration of the war. The agreement states, however, that Japan will not share any expense incidental to the presence of UN forces, and that rental will be paid for the facilities and areas utilized.

25X1

Comment: Under Article 5 of the Japanese Peace Treaty, Japan accepted an obligation "to give the UN every assistance in any action it takes in accordance with the Charter."

2. SCAP modifies directive prohibiting arms production in Japan: SCAP does not contemplate authorizing Japan to manufacture arms and munitions prior to the effective date of the peace treaty, despite 15 March Japanese press stories to the effect that such production can now be undertaken with SCAP approval. The US Political Adviser in Tokyo reports that SCAP's recent amendment of the original directive which prohibits munitions production was necessary in order not to preclude Japanese arms production in the post-treaty period. He points out that the Japanese intend to extend this and other occupation-directed ordinances into the post-treaty period, and were reluctant to sponsor on their own initiative an amendment to authorize the production of munitions.

25X1

Comment: The addition of the words "without SCAP approval" to the original directive prohibiting the manufacture of arms and munitions undoubtedly will bring forth additional

TOP SECRET

TOP SECRET

Communist charges of US-Japan warlike intentions.

Plant studies by CINCFE indicate that the Japanese are immediately capable of producing a wide range of armaments, including 4.2 inch mortars, 105mm howitzers, 75mm recoilless rifles, personnel and anti-tank mines, and necessary ammunition. Certain Japanese munitions production in support of the Korean war, now under American control and direction, probably will be transferred to the Japanese when the peace treaty becomes effective.

3. Future Japanese export controls under discussion: The US delegation to COCOM -- an informal coordinating committee for Western export controls -- reports from Paris that Japanese entry into the organization would involve significant operating disadvantages posed by distance and time, and might give certain participating countries an opening to reduce existing controls or to reopen controversial questions already settled. The delegation thinks that Japan might join the opposition within COCOM rather than supporting the United States and raises a question whether current COCOM controls, which are oriented toward the Soviet European bloc, would be suitable for Japan.

25X1

Comment: The United States believes that Japanese membership in COCOM would prejudice steps toward closer COCOM/NATO relationships. Recognizing that the Japanese Government will be under pressure to relax its strict SCAP-imposed controls when the peace treaty becomes effective, the United States has proposed an immediate non-COCOM multilateral conference with Japan -- a step which Britain opposes on the grounds that (1) the matter should be discussed within COCOM first; and (2) it would appear that Japan was being pressured while still under occupation.

25X1

TOP SECRET

~~TOP SECRET~~

~~TOP SECRET~~ Approved For Release 2007/10/22 : CIA-RDP79T01146A000800230001-5 or declassi-
UNCLASSIFIED when blank—~~TOP SECRET~~ when attached to Top Secret Document. Detach when filled in form is detached from controlled document.

form is detached from controlled document.

CONTROL AND COVER SHEET FOR TOP SECRET DOCUMENT

CONTROLE AND COVER SHEET		REGISTRY
DOCUMENT DESCRIPTION		
SOURCE	OCF	CIA CONTROL NO.
DOC. NO.		49577
DOC. DATE		DATE DOCUMENT RECEIVED
COPY NO.	46	LOGGED BY
NUMBER OF PAGES		
NUMBER OF ATTACHMENTS		
		CID

ATTENTION: This form will be placed on top of and attached to each Top Secret document received by the Central Intelligence Agency or classified Top Secret within the CIA and will remain attached to the document until such time as it is downgraded, destroyed, or transmitted outside of CIA. Access to Top Secret matter is limited to Top Secret Control personnel and those individuals whose official duties relate to the matter. Top Secret Control Officers who receive and/or release the attached Top Secret material will sign this form and indicate period of custody in the left-hand columns provided. Each individual who sees the Top Secret document will sign and indicate the date of handling in the right-hand columns.

NOTICE OF DETACHMENT: When this form is detached from Top Secret material it shall be completed in the appropriate spaces below and transmitted to Central Top Secret Control for record.

NOTICE OF DETACHMENT. This document is being detached from the original and transmitted to Central Top Secret Control for record.					
DOWNGRADED		DESTROYED		DISPATCHED (OUTSIDE CIA)	
TO BY (Signature)		BY (Signature)		TO BY (Signature)	
		WITNESSED BY (Signature)		BY (Signature)	
OFFICE	DATE	OFFICE	DATE	OFFICE	DATE